

AR47

INFORMATION 1973



BACM INDUSTRIES LIMITED

GESTAR
SUBSIDIARY

Strength and skill through product and service integration.

COVER: The Sheraton Landmark Hotel,
under construction in Vancouver, B.C.
Ocean Construction Supplies Limited
supplied 17,000 cubic yards of concrete
for the structure.

BACM SERVICES

HEAVY CONSTRUCTION

B.A.C.M. Construction Company
B.A.C.M. Mine Developers Ltd.

CITY & PROVINCIAL SERVICES

B-A Construction Ltd.
Mulder Bros. Ltd.
Tallman Paving
Standard-General Construction Ltd.
Borger Construction Co. Ltd.
GYPSUM WALLBOARD
Truroc Gypsum Products Ltd.

HOUSING

Engineered Homes Limited
Keith Construction Company Limited

LAND DEVELOPMENT

B.A.C.M. Development Corporation Limited

PRECAST CONCRETE PRODUCTS

Con-Force Products Ltd.

SUPPLY (CONCRETE/MATERIALS)

Ocean Construction Supplies Limited
Construction Aggregates Limited
Metro Concrete Ltd.
Consolidated Concrete Limited
Edcon Block
Redi-Mix Limited
Building Products & Provincial Concrete
Tallcrete
Portage Concrete
Western Concrete

Cover:

The Christie Street plant of the company's Supply Division, Building Products and Provincial Concrete serving the Winnipeg area.

Corporate Office:
1500 Plessis Road
Winnipeg, Canada

AR47



BACM INDUSTRIES LIMITED

INTERIM REPORT

Six months ended June 30, 1973

Completed



TO OUR SHAREHOLDERS AND EMPLOYEES:

The financial results for the first six months of 1973 not only reflect the strong growth of the Western Canadian economy, but they indicate that our operations are in good position and capable of participating in this growth. While the results presented below do not include the operations of Ocean Construction Supplies Limited, a company owned by Genstar Limited and managed by BACM, we are pleased to report that this company has also participated in the general improvement and its results are a source of satisfaction to both owners and management.

The precast concrete products of the company are meeting with general acceptance across the region. Public response to our systems building techniques has been most encouraging, and these products are now a profitable part of precast operations. In May the company acquired a small manufacturer in Edmonton in order to augment its precast facilities and market in that city. In July the company announced its participation with Costain Concrete Co. Ltd. of the United Kingdom in a new company intended to pursue the possibilities of manufacturing concrete railway ties in North America.

The company has recently announced its intention to construct a Vancouver plant for the manufacture of Truroc gypsum wallboard. This third company plant will cost

five million dollars and will have a productive capacity of one hundred million square feet of gypsum wallboard per year. Construction will commence during 1973 and the plant will be in operation before the end of 1974. Truroc plants at Saskatoon and Edmonton presently serve the Prairie region, and the Vancouver plant will be an important addition to the company's capacity in the large and rapidly growing British Columbia region.

Heavy Construction forces of the company are now participating, both for their own account and in joint ventures, in major hydro electric work in Northern Manitoba for the Provincial Government. These projects are of such size that they will have considerable effect on our Heavy Construction operations and results during the next two or three

years. In a period when the significant item of national and world news seems to be concern over economic matters, it is very difficult to forecast even the short term future for our business. We can expect the months ahead to bring increased operating costs, and there is the real possibility of a developing buyer-resistance due to economic uncertainty and high interest rates. But the expansionary phase of Western Canadian development is strongly established, so that while we anticipate a challenging environment for our people, it will continue to be one with much promise.

Respectfully submitted
S. Simkin
Chairman and
Chief Executive Officer
Winnipeg, Canada.

BACM INDUSTRIES LIMITED



UNAUDITED CONSOLIDATED STATEMENT OF EARNINGS

	6 MONTHS ENDED JUNE 30, 1972	6 MONTHS ENDED JUNE 30, 1972
Total Operating Revenue	\$98,295,000	\$71,399,400
Costs and Expenses	88,543,000	63,867,900
Depreciation and Depletion	9,752,000	7,531,500
Income before Taxes	3,992,000	3,846,500
Provision for Income Taxes	5,760,000	3,685,000
Net Income	2,870,000	1,840,000
Earnings per Share	2,890,000	1,845,000
Average Number of Shares Outstanding	1.45	.93
	1,988,727	1,988,727

The above figures are subject to audit adjustments.

THE COMPANY

BACM today is a combination of related businesses, operating across Western Canada in building materials, housing and land development, and heavy construction. The beginnings of some of these businesses extend back to the turn of the century, and they have prospered through the years as our population has grown, our cities have expanded, and our natural resources have been developed. The catalyst which combined these enterprises was the business interests of the Simkin family of Winnipeg.

These interests were incorporated into British-American Construction & Materials Limited in 1961, and public participation was solicited. From its Manitoba beginnings the company has expanded westward to the Pacific Coast, both through internal growth and through corporate acquisitions. Its name was changed to BACM Industries Limited in 1967 since it had outgrown the apparent definition implied by the earlier name. In 1968, ownership control passed to Genstar Limited, a Canadian public company with widespread holdings. Today, BACM stresses the strength and the skills which arise from the relation and integration of the products and services which it supplies.

You are invited to write for the company's Capabilities Brochure.



BACM INDUSTRIES LIMITED

A Subsidiary of Genstar Limited

DIRECTORS

J. LESLIE BODIE
E. JOHN CUYLER
AUGUST A. FRANCK
REGINALD F. JENNINGS
BERNARD T. JOHNSON
DUNCAN R. B. McARTHUR
ANGUS A. MacNAUGHTON
BEVERLEY A. MONKMAN
ABRAHAM L. SIMKIN, Q.C.
ISRAEL SIMKIN
SAUL SIMKIN

OFFICERS

Corporate Office:

S. SIMKIN
Chairman of Board and Chief Executive Officer
A. L. SIMKIN, Q.C.
President and Vice-Chairman
J. L. BODIE
Vice-President, Corporate and Management Services
T. R. DENTON
Vice-President, Administration, Secretary and General Counsel
K. C. KINSLEY
Vice-President, Finance
I. SPECTOR
Vice-President, Engineering and Technical Services
J. J. DENHOLM
Treasurer
L. J. HERBACH
Controller
L. M. SMORDIN
Assistant Secretary and Associate Counsel

Operations:

B. A. MONKMAN
Senior Vice-President, Supply
I. SIMKIN
Senior Vice-President, Construction
A. W. FALK
Vice-President, Precast Concrete
E. M. GUSTAFSON
Vice-President, Housing
V. S. G. LEWIS
Vice-President, Land Development
R. A. ORR
Vice-President, Housing
A. J. SMITH
Vice-President, Gypsum Products

CORPORATE OFFICE:

1500 Plessis Road
Winnipeg, Manitoba, Canada R2C 2Z6

TRANSFER AGENTS and REGISTRARS:

MONTREAL TRUST COMPANY
Winnipeg, Manitoba
THE BANK OF NEW YORK, New York, N.Y.

TOP TO BOTTOM:

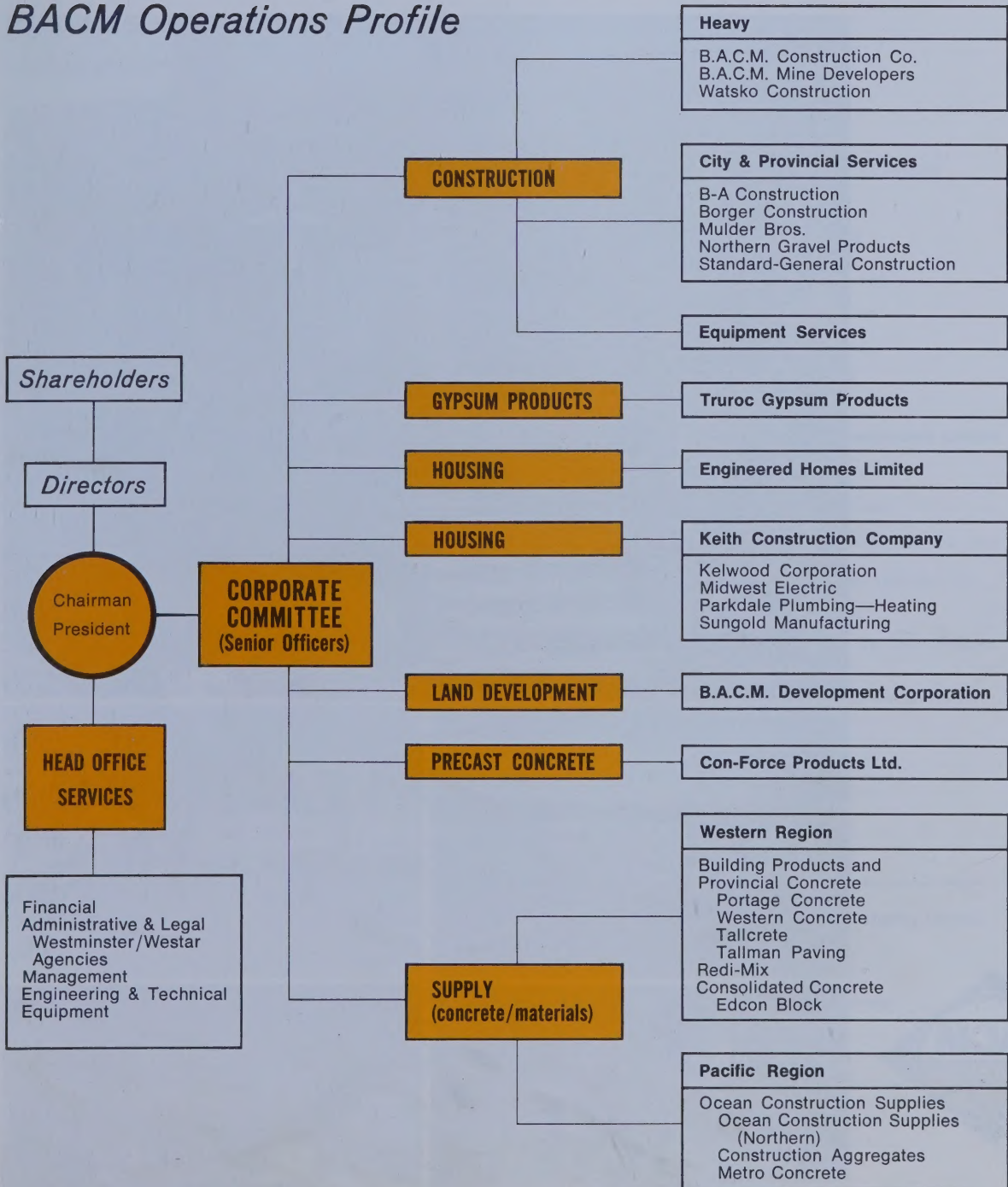
Water control and hydro-electric structures illustrate current involvements by the company's heavy construction division in this type of northern resource development.

Middle right — Construction of foundation for the primary crusher at Ruttan Mine in Northern Manitoba.

Bottom — This small apartment building in Alberta illustrates use of concrete block and concrete brick, supplied by Consolidated Concrete.



BACM Operations Profile



TOP TO BOTTOM:

Award-winning Engineered Homes "Showhome" in Calgary, Alberta.

Summer and winter recreational facilities in a company subdivision.

Left — Trees are retained in a company subdivision in Victoria, British Columbia.

Right — Canada's first natural gas fuel cell model home, a joint experiment in Calgary by Canadian Western Natural Gas Company Limited, and Engineered Homes Limited.



PRODUCTS, SERVICES and OPERATIONS MANAGEMENT

CONSTRUCTION

I. SIMKIN
President and General Manager

J. J. DENHOLM
Vice-President, Finance

HEAVY CONSTRUCTION

B.A.C.M. Construction Company

B.A.C.M. Mine Developers Ltd.

D. S. DUNCAN
Executive Vice-President
Heavy Construction

G. C. TURNER
Area Manager

H. B. McLENAGHAN
Area Manager

D. de RUITER
Vice-President, International Services

E. G. BRUNSDON
Manager and Chief Estimator

J. W. TAYLOR
Manager

M. BABICH
Manager

T. A. KOWALCHUK
Chief Engineer

D. R. PENNER
Manager of Administration

J. WATSKO
President, Watsko Construction

CITY & PROVINCIAL SERVICES

G. R. THOMPSON
Vice-President

B-A Construction Ltd.

R. HANDLER
Vice-President, Winnipeg Area

R. F. MORRIS
Vice-President, Manitoba Area

W. McGUIRE
Manager, Saskatchewan Area

Mulder Bros. Limited

D. G. MULDER
President

Standard General Construction Limited

R. J. BOON
Vice-President, Calgary Area

A. J. BERG
Vice-President, Edmonton Area

C. L. GOLDIN
Vice-President, Administration, Vancouver Area

W. J. SMITH
Vice-President, Operations, Vancouver Area

W. T. THOMPSON
President, Northern Gravel

Borger Construction Co. Ltd. - Calgary

G. HARRISON
Manager

GYPSUM PRODUCTS

Truroc Gypsum Products Ltd.

A. J. SMITH
President and General Manager

A. J. McLELLAN
Comptroller

J. B. HAWKING
Sales Manager

B. A. KORUN
Manager, Saskatoon

I. R. TIEDE
Manager, Edmonton

HOUSING

Engineered Homes Limited

R. A. ORR
President and General Manager

J. E. WHITAKER
Vice-President, Finance

J. V. HAYWARD
Vice-President and Manager, Pacific Region

G. L. MAGNUSSEN
Vice-President and Manager, Central Region

C. D. WILSON
Vice-President and Manager, Southern Region

R. J. COWAN
General Manager, Northern Region

Keith Construction Company Limited

E. V. KEITH
Chairman of the Board

E. M. GUSTAFSON
President and General Manager

L. H. FRODSHAM
Executive Vice-President

R. J. KIMOFF
Vice-President, Land Development

L. LUINI
Vice-President, Construction

B. C. EELES
Treasurer

TOP TO BOTTOM:

A Bridge near Doughty, Alberta, employing pre-cast concrete components, is erected by Con-Force.

Right — An office building in Burnaby, British Columbia uses cladding panels manufactured by Con-Force.

Left and Bottom right — Two views of a Winnipeg apartment complex show progress of the "systems building" techniques of the Con-Force Division.



PRODUCTS, SERVICES and OPERATIONS MANAGEMENT

LAND DEVELOPMENT

B.A.C.M. Development Corporation Limited

V. S. G. LEWIS
President and General Manager

H. W. McADAMS
Vice-President, Finance and Administration

N. F. BOTHWELL
Vice-President, Alberta

E. B. BODIE
Vice-President, Manitoba

S. E. J. RICHARDSON
General Manager, Calgary

K. B. Sinclair
General Manager, Vancouver

PRECAST CONCRETE PRODUCTS

Con-Force Products Ltd.

A. W. FALK
President and General Manager

G. ADAM
Vice-President, Sales and Engineering

T. J. BARTKIEWICZ
Vice-President, Operations

F. T. McALEER
Vice-President, Finance

H. NASH
Vice-President, Construction

E. J. OTTEWELL
Manager, Calgary

J. S. INK
Manager, Edmonton

P. LYSAK
Manager, Regina

D. LUNDER
Manager, Winnipeg

R. W. STARK
Manager, Vancouver

SUPPLY (concrete/materials)
ready mix concrete, concrete block
and pipe, sand, gravel and classified
aggregates.

B. A. MONKMAN
Chairman and Managing Director

G. K. CRUIKSHANK
Vice-President, Finance

Western Region

J. L. HOLMAN
General Manager

Consolidated Concrete Limited - Alberta

J. L. HOLMAN
President and General Manager

K. G. EVANS
Vice-President and General Manager,
Northern Alberta

H. BANKS
President, Edcon Block

R. N. BOWER
Manager, Lethbridge

D. A. FARQUHARSON
Manager, Grande Prairie

T. B. TODD
Manager, Red Deer

H. T. WELCH
Manager, Calgary

Redi-Mix Limited - Saskatchewan

H. F. WARD
President and General Manager

W. J. BABEY
Vice-President, Regina

B. R. MURPHY
Manager, Saskatoon

G. MURRAY
Manager, Moose Jaw

Building Products & Provincial Concrete Manitoba

E. ROSENBLAT
President and General Manager

C. GOLLETZ
Manager, Western Concrete, Brandon

F. D. O'REILLY
Manager, Portage Concrete, Portage la Prairie

Pacific Region

Ocean Construction Supplies Limited -

British Columbia

B. A. MONKMAN
President

N. D. MacRITCHIE
Executive Vice-President

E. J. McCANCE
Vice-President

L. J. CAMPBELL
Treasurer

J. T. ARNOLD
Manager, Concrete Products, Vancouver

F. BAKER
Manager, Prince George

W. J. BARICHELLO
Manager, Kamloops

T. A. BETHUNE
Manager, Construction Aggregates

V. F. BOWMAN
Manager, Nanaimo

P. H. GARDNER
Manager, Metro Concrete

J. H. GILLEY
Manager, Marine Division

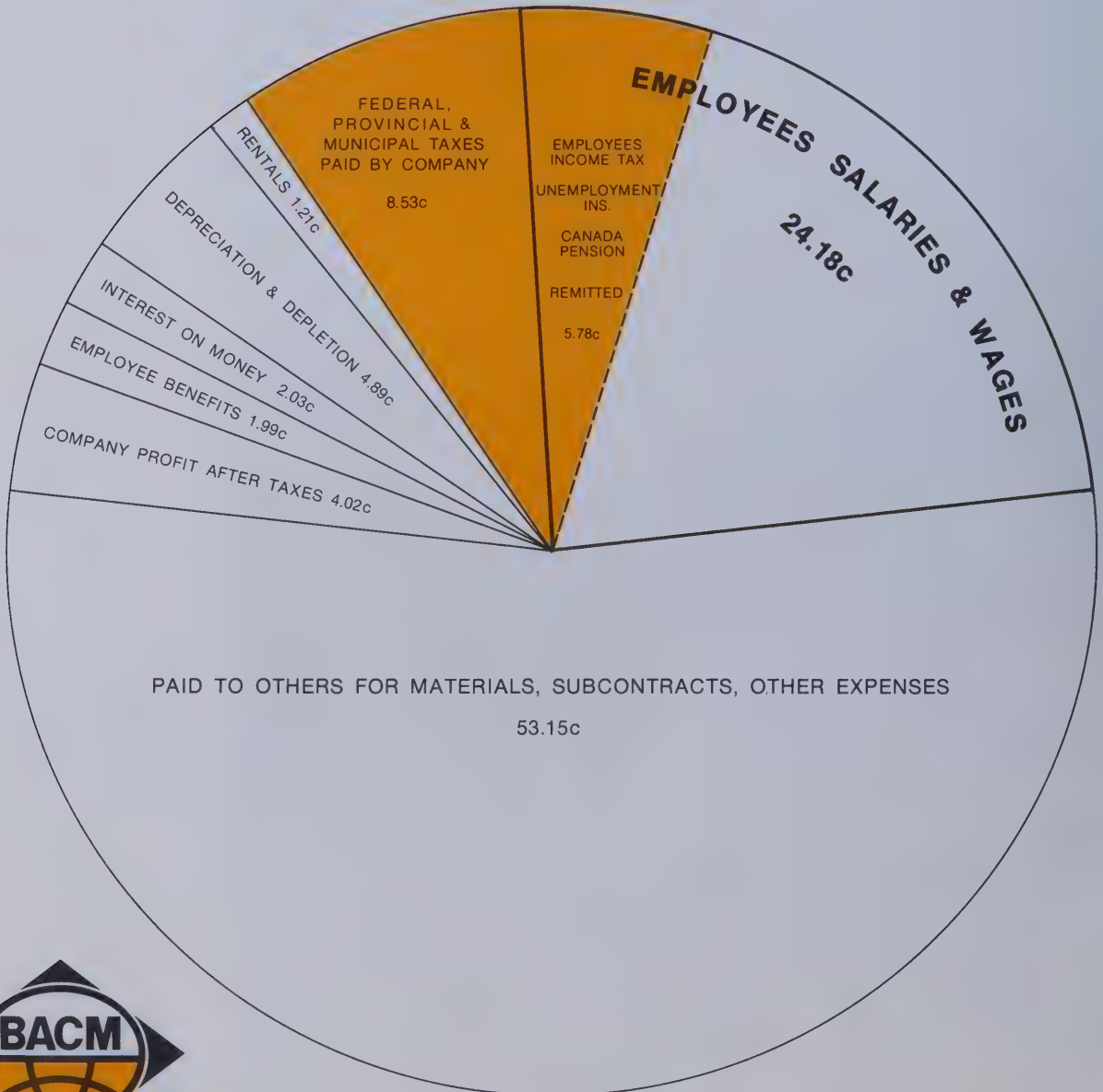
W. C. GREEN
Manager, Kitimat

R. MILLER
Manager, Ready Mix and Steel, Vancouver

C. A. PROWSE
Manager, Building Supplies, Victoria

T. A. WILLIAMS
Manager, Ready Mix, Victoria

DISTRIBUTION OF BACM SALES DOLLAR



Company construction forces installing ►
municipal services in a new
northern community.

*ad crew
Lapointe*



1972 ANNUAL REPORT

DIRECTORS' REPORT

The company has completed another satisfactory year. We appreciate the industry of our many divisions and of many individual employees which carried the company to new levels of achievement.

The acquisition of the Ocean Cement interests by our parent, Genstar Limited, in British Columbia, early in the year brought additional management responsibilities, as the building materials aspects of Ocean's operations were integrated, by management contract, with those of the BACM group.

Demand for the company's concrete building supplies across western Canada during 1972 was generally good. Strong markets in most parts of the prairie region continued to produce satisfactory sales volume. While Ocean's reorganization along functional lines following the acquisition, as well as an extended strike affecting the B.C. construction industry produced a challenging year for the Pacific region, commendable employee co-operation caused this division to reach improved levels of performance. In addition to the four major markets of Winnipeg, Calgary, Edmonton and Vancouver, the company now owns or manages thirteen smaller concrete building supply operations throughout western Canada; the viability of these smaller operations is continuing evidence of the growth taking place across the West. There are early indications that sales activity will continue at current levels through 1973.

The company's "Truroc" gypsum wallboard, manufactured to quality standards in the two most modern plants on the prairies, is maintaining a strong position in a very competitive industry. The company has appeared, with its western Canadian competitors, before the Canadian Anti-Dumping Tribunal, to date without success, to protest the continuing importation of U.S. board. Recent negotiations have concluded labour contracts for the next two years. The company anticipates for 1973 a continuation of rising costs, possible paper shortages, pressure on prices and only marginally increased demand.

The precast and prestressed concrete business, operating under the trade name "Con-Force Products", now operates five plants across western Canada and is both the leading manufacturer and an innovating developer of building systems and precast products. A major contract for construction of a new grandstand for the famous Calgary Stampede will require specialized production techniques and impose timing constraints. In mid 1972 the Saskatoon plant was closed and Saskatchewan operations consolidated at the Regina location. In April the shares of Pacific Prestress Ltd., a Vancouver precast manufacturer in which Ocean Cement has had a 50 per cent investment for some years, were acquired and the operations integrated with the Con-Force division which was previously unrepresented on the Pacific coast.

The Vancouver market has to date made limited use of precast components and the company views this market as one with considerable potential.

Earnings of the company's heavy construction operations showed a marked increase in 1972 on larger sales volume, reflecting the anticipated improvement in this sector of the economy. Again as in recent years, however, profits did not present a uniform picture in all areas, as some divisions experienced difficult operating conditions. A review of operations was undertaken in the Spring, resulting in the division of construction activities into two segments: heavy engineering construction for major projects, often in remote areas, and the city and provincial services division. This functional separation is designed to promote specialization and direct increasing management capability toward new

areas of opportunity. Greater emphasis on the development of resources in Canada's North is already providing activity for the heavy engineering construction division, which, following a profitable 1972, enters 1973 with a backlog substantially in excess of that of a year ago. Major hydro electric developments in northern Manitoba, and Dempster Highway construction in the McKenzie Delta area have benefited this division's 1972 activity.

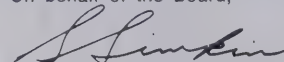
Significant additional Manitoba hydro electric work has recently been awarded to Company forces, which will have an important affect on the operations of this division over the next three years. As the North opens, the company believes that it is uniquely qualified by virtue of its wide experience in many phases of northern construction work, from resource development to the building of planned communities, to participate in the opportunities which this will afford.

An important year in the company's land development operations has been completed. In addition to its contribution to profit, the land division significantly advanced a number of major new developments to meet the mounting demand for serviced land in its centres of activity. The land development process is very complex and requires considerable effort to accelerate it. The division's past efforts should begin to bear fruit in terms of increased sales and profit in 1973. While in the Winnipeg, Edmonton, and Calgary regions the company's land bank is reasonably well balanced to meet the needs of the market, land assembly at economically viable prices in the Vancouver region continues to be difficult. However, in this area the company has nevertheless made a modest start in planned subdivision development. A major component in the cost of producing land for residential purposes is the cost of utilities and other municipal services that must be constructed and installed on a prepaid basis. These costs have risen markedly in recent years mainly as a result of public and municipal demand for superior standards. Despite these conditions the maintenance of very competitive lot prices in company developments when viewed in the overall Canadian perspective is evidence of the contribution that can be made by responsible developers in making serviced land available to a broad economic spectrum of Canadians, if given reasonable cooperation by the regulatory authorities at all levels of government.

During the year the housing operations of the company sold more than 2,300 new homes in western Canada, one-third of these were constructed using conventional on-site building methods, while the remainder employed pre-assembled components manufactured in the Company's Calgary factory. One-quarter of the factory output was sold for erection by the Company's allied-builder organization. To meet well-recognized needs, efforts have been bent toward development of homes of the lowest possible cost; in so doing, the Company has been able to achieve some interesting innovative concepts. The western Canadian market for single family and semi-detached homes is strong, and the outlook is for continuation of this demand as the trend to this type of family accommodation is sustained.

The prospect for 1973 is favourable and the company anticipates another strong business year.

On behalf of the Board,



S. SIMKIN, Chairman
Winnipeg, Canada

CONSOLIDATED STATEMENT OF INCOME

BACM INDUSTRIES LIMITED and SUBSIDIARY COMPANIES

Year Ended December 31

	1972	1971
	\$	\$
NET SALES AND OPERATIONS.....	179,163,100	149,928,400 +
COSTS and EXPENSES		
Cost of sales and operations	136,988,900	113,571,700
Selling, general and administrative	15,714,400	12,803,100
Depreciation, depletion and amortization	8,529,400	6,542,900
Interest on long-term debt	2,205,800	1,569,000
Other interest	1,707,100	1,470,000
	165,145,600	135,956,700
INCOME BEFORE THE FOLLOWING	14,017,500	13,971,700
PROVISION FOR INCOME TAXES		
Current	7,470,600	6,706,300
Deferred	(488,200)	554,200
	6,982,400	7,260,500
NET INCOME FOR THE YEAR	7,035,100	6,711,200 +
INCOME PER COMMON SHARE	\$3.54	\$3.38 x

See notes to consolidated financial statements

These financial statements do not include figures for Ocean Construction Supplies Limited—a company operating but not owned within the BACM Group.



CONSOLIDATED BALANCE SHEET

BACM INDUSTRIES LIMITED and SUBSIDIARY COMPANIES

	December 31	
	1972	1971
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and term deposits	468,800	897,200
Accounts and notes receivable - trade	44,370,300	36,116,600
- other	1,238,300	1,026,100
Inventories	60,664,900	53,935,100
Prepaid expenses	423,500	442,000
	<u>107,165,800</u>	<u>92,417,000</u>
OTHER ASSETS	<u>652,300</u>	<u>663,400</u>
INVESTMENTS		
Marketable securities (quoted value 1972 - \$990,000) .	456,500	347,000
50% owned companies	320,600	320,600
Other securities	1,165,000	1,265,500
Revenue properties	5,935,200	3,660,500
	<u>7,877,300</u>	<u>5,593,600</u>
FIXED ASSETS		
Property, plant and equipment	95,705,800	90,825,100
Accumulated depreciation	49,830,100	44,135,600
	<u>45,875,700</u>	<u>46,689,500</u>
INTANGIBLE ASSETS ARISING FROM ACQUISITIONS ...	<u>6,418,600</u>	<u>6,735,100</u>
	<u>167,989,700</u>	<u>152,098,600</u>

See notes to consolidated financial statements

	December 31	
	1972	1971
	\$	\$
LIABILITIES		
CURRENT LIABILITIES		
Bank advances and acceptances.....	23,659,300	29,986,400
Accounts and notes payable.....	18,028,700	17,430,700
Mortgages, agreements and mortgage advances.....	15,004,100	16,069,700
Advances from affiliated companies.....	3,300,000	—
Income taxes.....	11,828,100	8,043,600
Current portion of long-term debt.....	6,085,700	3,906,900
	<u>77,905,900</u>	<u>75,437,300</u>
LONG-TERM DEBT.....	42,988,600	26,939,200
DEFERRED INCOME TAXES.....	7,705,000	9,213,200
	<u>128,599,500</u>	<u>111,589,700</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized -		
4,000,000 common shares - par value \$5 each		
Issued and fully paid -		
1,988,727 common shares.....	9,943,600	9,943,600
CONTRIBUTED SURPLUS.....	11,835,900	11,835,900
RETAINED EARNINGS.....	17,610,700	18,729,400
	<u>39,390,200</u>	<u>40,508,900</u>
	<u>167,989,700</u>	<u>152,098,600</u>

SIGNED ON BEHALF OF THE BOARD

S. Simkin, Director

J.L. Bodie, Director



CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

BACM INDUSTRIES LIMITED and SUBSIDIARY COMPANIES

	Year Ended December 31	
	1972	1971
	\$	\$
SOURCE OF FUNDS		
Net income for the year	7,035,100	6,711,200
Items not affecting funds -		
Depreciation, depletion and amortization	8,529,400	6,542,900
Deferred income taxes	(488,200)	554,200
Funds from operations	15,076,300	13,808,300
Sale of -		
Other assets	11,100	3,405,000
Investments	73,000	1,837,400
Fixed assets	1,654,100	599,300
Intangible assets	254,900	—
Issue or assumption of -		
Long-term debt	21,510,000	8,477,900
Deferred income taxes	(1,020,000)	824,200
Common shares	—	2,000,000
	<u>37,559,400</u>	<u>30,952,100</u>
USE OF FUNDS		
Purchase of -		
Other assets	—	1,232,700
Investments	2,356,700	2,551,400
Fixed assets	9,308,100	11,663,100
Intangible assets	—	2,911,400
Payment or reduction of -		
Long-term debt	5,460,600	2,730,100
Dividends	8,153,800	4,971,800
	<u>25,279,200</u>	<u>26,060,500</u>
WORKING CAPITAL		
Increase in year	12,280,200	4,891,600
At beginning of year	16,979,700	12,088,100
At end of year	<u>29,259,900</u>	<u>16,979,700</u>

See notes to consolidated financial statements

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS (continued)

BACM INDUSTRIES LIMITED and SUBSIDIARY COMPANIES

	Year Ended December 31	
	1972	1971
	\$	\$
CHANGES IN ELEMENTS OF WORKING CAPITAL		
CURRENT ASSETS - Increase (Decrease)		
Cash and term deposits	(428,400)	(19,800)
Accounts and notes receivable - trade	8,253,700	10,308,600
- other	212,200	(950,900)
Inventories	6,729,800	10,788,100
Prepaid expenses	(18,500)	(98,700)
	<u>14,748,800</u>	<u>20,027,300</u>
CURRENT LIABILITIES - Increase (Decrease)		
Bank advances and acceptances	(6,327,100)	6,431,000
Accounts and notes payable	598,000	(481,100)
Mortgages, agreements and mortgage advances	(1,065,600)	4,002,800
Advances from affiliated companies	3,300,000	—
Income taxes	3,784,500	4,629,500
Current portion of long-term debt	2,178,800	553,500
	<u>2,468,600</u>	<u>15,135,700</u>
INCREASE IN YEAR	<u>12,280,200</u>	<u>4,891,600</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year Ended December 31	
	1972	1971
	\$	\$
BALANCE - BEGINNING OF YEAR	18,729,400	16,990,000
Net income for the year	7,035,100	6,711,200
	<u>25,764,500</u>	<u>23,701,200</u>
Dividends on common shares		
(1972 - \$4.10; 1971 - \$2.50)	8,153,800	4,971,800
BALANCE - END OF YEAR	<u>17,610,700</u>	<u>18,729,400</u>

See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BACM INDUSTRIES LIMITED and SUBSIDIARY COMPANIES

For The Year Ended December 31, 1972

1.—ACCOUNTING POLICIES

Consolidation

The accounts of all subsidiaries are consolidated from the dates of acquisition on the basis of purchase accounting.

Inventories

Inventories used in determining cost of sales are valued at the lower of cost or net realizable value. The cost of land and houses under construction is determined on a specific item basis and cost of other inventories generally on a first-in first-out basis. The cost of services installed and interest and property taxes incurred prior to development are included in land inventory.

Investments

Marketable securities and other securities (mainly mortgages and loans) are valued at the lower of cost or net realizable value. Companies which are 50% owned and real estate properties are carried on the equity basis.

Depreciation, Depletion and Amortization

Depreciation of plants and equipment is provided generally on the straight-line method at various rates based on the estimated useful life. Depletion of quarries and gravel deposits is provided on the unit of extraction method. Intangible assets arising from acquisitions prior to November 1970 in the amount of \$3,876,700 are not being amortized and the remainder is being amortized over forty years.

Income Recognition

Income from construction contracts is recognized on a progress basis; from houses sales, on receipt of the down payment from an approved purchaser; and from land sales, on fulfilling all material requirements of the sales agreement.

2.—BUSINESS COMBINATIONS

The following business combinations have been consolidated on the basis of purchase accounting:

All of the outstanding shares of a manufacturer of building materials were acquired in April 1972 pursuant to an agreement with the other shareholders. During 1971 all of the shares of four companies were acquired pursuant to agreements and take-over bids. These companies are engaged in building materials, land development, housing and construction operations.

	1972	1971
Net Assets Acquired		
Net tangible assets at the carrying value of the acquired companies.....	\$ 327,200	\$ 7,253,500
Allocation of purchase price to net tangible assets.....	(297,200)	328,300
Intangible assets arising from acquisitions.....	—	2,911,400
	<u>30,000</u>	<u>10,493,200</u>
Consideration		
Cash.....	30,000	10,163,200
Notes payable.....	—	330,000
	<u>30,000</u>	<u>10,493,200</u>

The pro forma consolidated results, assuming these business combinations had taken place on January 1, 1971, are as follows:

	1972	1971
	\$	\$
Net sales and operations.....	181,773,000	161,472,000
Net income.....	6,873,100	6,804,000
Pro-forma income per common share	\$3.46	\$3.42

3.—INVENTORIES

	1972	1971
	\$	\$
Finished goods.....	2,840,600	2,539,900
Work in process.....	15,213,100	15,993,000
Raw materials and supplies.....	5,664,400	5,321,700
Land held for development and sale.....	35,786,200	29,511,800
Maintenance and repair parts.....	1,160,600	568,700
	<u>60,664,900</u>	<u>53,935,100</u>

4.—FIXED ASSETS

	1972			1971
	Cost	Accumulated Depreciation	Net	Net
	\$	\$	\$	\$
Land.....	3,098,000	—	3,098,000	3,244,400
Buildings.....	14,543,000	4,092,500	10,450,500	9,113,200
Machinery and equipment....	73,361,000	44,239,800	29,121,200	30,789,900
Quarries and gravel deposits..	4,703,800	1,497,800	3,206,000	3,542,000
	<u>95,705,800</u>	<u>49,830,100</u>	<u>45,875,700</u>	<u>46,689,500</u>

Fixed assets are stated at cost, which includes \$2,129,100 at December 31, 1972 (1971 - \$2,426,300) representing the allocated proportion of the difference between the cost of investments in subsidiaries and the net assets at the carrying value of the acquired companies.



5.—LONG-TERM DEBT

	1972		1971
	Current Portion	Principal	Principal
	\$	\$	\$
6% sinking fund debentures due August 1, 1981	225,000	1,131,200	1,373,600
6-1/4% note due March 1, 1975	633,800	1,186,400	1,793,200
6-1/2% mortgage repayable in semi-annual in- installments to 1984	155,400	2,715,700	2,861,100
Mortgage and debenture bonds repayable in annual installments with interest 6% to 9-3/8%	838,700	6,536,100	5,880,500
Notes and equipment finance contracts repayable in annual installments with varying interest rates	1,288,400	8,489,500	9,033,000
Non-interest bearing notes due to 1975	719,200	1,395,200	2,114,300
9% promissory notes with affiliated companies due to 1979	2,005,000	27,400,000	7,350,000
Undertaking given to minority interest for annual redemptions of preferred shares of Consolidated Concrete Limited	220,200	220,200	440,400
	<u>6,085,700</u>	<u>49,074,300</u>	<u>30,846,100</u>
Less: Amounts included in current liabilities		6,085,700	3,906,900
		<u>42,988,600</u>	<u>26,939,200</u>

Certain debt instruments contain restrictive covenants covering current assets, working capital, tangible net worth and payment of dividends, all of which have been met. At December 31, 1972 consolidated retained earnings approximating \$2,600,000 are not subject to the most restrictive of these provisions.

The following payments are required to meet long-term debt instalments and sinking fund provisions: 1974 - \$12,919,000; 1975 - \$5,113,100; 1976 - \$5,539,700; 1977 - \$4,690,200.

6.—ASSETS SUBJECT TO LIEN OR PLEDGE

Substantially all of the assets of the company and its subsidiaries are held subject to mortgage and/or floating charges securing indebtedness of the company and its subsidiaries.

Bank advances totalling \$23,659,300 are secured by general assignments of book debts and pledges of inventories, including certain land held for development and sale.

7.—ADDITIONAL INFORMATION

Remuneration of Directors and Officers	1972	1971
	\$	\$
The aggregate remuneration paid to directors and senior officers of the company as defined by the Manitoba Companies Act in their capacity as director, officer or employee.....	633,200	558,400

Retirement Plans

Contributions to several retirement plans including prior service costs charged to earnings in 1972 amounted to \$287,700 (1971 - \$187,800). These plans were fully funded at December 31, 1972 and 1971.

Comparative figures

The 1971 financial statements were examined by other independent accountants.

8.—COMMITMENTS AND CONTINGENT LIABILITIES

The company has guaranteed advances of an affiliated company to a maximum of \$250,000. The loan amounted to \$185,000 on December 31, 1972 (1971 - \$250,000).

Minimum annual rentals under leases for property and equipment in effect at December 31, 1972 and expiring up to December 31, 1983 were \$254,600 (1971 - \$106,800).



AUDITORS' REPORT

COOPERS & LYBRAND

CHARTERED ACCOUNTANTS

February 2, 1973

TO THE SHAREHOLDERS,
BACM Industries Limited.

We have examined the consolidated balance sheet of BACM INDUSTRIES LIMITED and subsidiaries as at December 31, 1972 and related statements of income, retained earnings and source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of BACM INDUSTRIES LIMITED and subsidiaries as at December 31, 1972, and the results of their operations, and the source and use of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

Chartered Accountants



TEN YEAR FINANCIAL SUMMARY

(Per share amounts in dollars—
other amounts in thousands)

	Years Ended December 31					Years Ended February 28 or 29				
	1972	1971	1970	1969	1968*	1967	1966	1965	1964	
OPERATING RESULTS:										
Net Sales and Operations	179,163	149,928	101,407	106,018	70,852	53,667	34,510	32,755	26,160	
Cost of Sales	136,989	113,572	73,863	79,342	54,415	43,901	28,162	27,723	20,934	
Selling, Administrative and General	15,714	12,803	11,644	9,550	6,221	4,227	1,997	1,765	1,741	
Depletion and Depreciation	8,530	6,542	5,362	4,831	2,897	1,889	1,446	1,377	1,164	
Interest	3,913	3,039	3,405	2,273	1,823	1,168	815	697	574	
Total Operating Expenses	165,146	135,956	94,274	95,996	65,356	50,985	32,421	31,562	24,413	
Income Before Income Taxes	14,017	13,972	7,133	10,022	5,496	2,682	2,089	1,193	1,747	
Income Taxes	6,982	7,261	3,603	5,522	2,785	1,325	1,051	612	904	
Net Income	7,035	6,711	3,530	4,500	2,711	1,357	1,038	581	843	
FINANCIAL POSITION:										
Current Assets	107,166	92,417	65,346	51,481	37,381	27,273	19,649	17,164	15,086	
Current liabilities	77,906	75,437	53,258	37,231	25,934	19,505	11,966	9,755	12,663	
Working Capital	29,260	16,980	12,088	14,250	11,447	7,768	7,683	7,409	2,423	
Property, Plant & Equipment, Net	45,876	46,690	42,104	36,035	28,284	13,644	9,787	9,522	8,937	
Long-Term Debt	42,989	26,939	21,093	17,481	16,453	10,415	7,152	7,592	3,456	
Deferred Income Taxes	7,705	9,213	7,835	6,386	5,889	2,648	1,616	1,420	1,825	
Shareholders' Equity	39,390	40,509	36,770	33,801	24,240	13,330	10,936	10,170	7,371	
OTHER INFORMATION:										
Return on Shareholders' Equity	17.6%	17.4%	10.1%	15.9%	13.8%	11.2%	9.8%	6.6%	12.0%	
Net Income Per Share	3.54	3.38	1.87	2.61	1.91	1.24	1.01	0.57	0.82	
Return on Net Sales	3.9%	4.5%	3.5%	4.3%	3.9%	2.6%	3.0%	1.8%	3.2%	
Book Value Per Share	19.81	20.37	19.47	18.48	14.83	12.20	10.68	9.93	7.20	
Deferred Income Taxes Per Share	3.87	4.63	4.15	3.70	3.60	2.42	1.58	1.39	1.78	
Number of Shares—End of period	1,988,727	1,988,727	1,888,727	1,828,727	1,634,172	1,093,172	1,024,212	1,024,212	1,024,212	
Outstanding —Average	1,988,727	1,988,727	1,886,227	1,724,188	1,417,272	1,093,172	1,024,212	1,024,212	1,024,212	
Number of registered Shareholders	103	119	173	1,158	1,374	1,458	1,534	1,658	1,818	

*Period of ten months

BACM INDUSTRIES LIMITED

